



National Grid USA Service Company, Inc.

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Associate Counsel

October 10, 2002

VIA E-MAIL AND OVERNIGHT MAIL

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

RE: D.T.E. 98-84/EFSB 98-5

Dear Secretary Cottrell:

On behalf of Massachusetts Electric Company, Nantucket Electric Company and New England Power Company, I am enclosing Reply Comments in the above-captioned proceeding. I am also enclosing an additional copy of this letter to be date- and time-stamped and returned to me in the attached self-addressed, stamped envelope.

Thank you very much for your time and attention to this matter.

Very truly yours,

cc: Service List

Enclosure

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COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Investigation by the Department of Telecommunications)
and Energy and the Energy Facilities Siting Board, on)
their own motions, commencing a Notice of Inquiry and) D.T.E. 98-84/EFSB 98-5
Rulemaking, pursuant to M.G.L. c. 164 §§, 69H, 69I,)
76C, and 220 C.M.R. §§ 2.00 et seq., into (1) rescinding)
220 C.M.R. §§ 10.00 et seq., and (2) exempting)
electric companies from any or all of the provisions)
of G.L.c. 164, § 69I.)

**REPLY COMMENTS OF
MASSACHUSETTS ELECTRIC COMPANY,
NANTUCKET ELECTRIC COMPANY
AND NEW ENGLAND POWER COMPANY**

I. Introduction

Massachusetts Electric Company, Nantucket Electric Company and New England Power Company (together, the National Grid companies) appreciate this opportunity to work with the Department and the Siting Board and other Intervenor on determining appropriate reporting mechanisms that can enhance overall understanding of transmission and distribution planning issues and projects. With the objective of determining useful but not burdensome reporting and analysis, the National Grid companies reiterate their Comments filed in this docket on September 12, 2002 and their oral testimony presented under oath on September 26, 2002. In addition, the National Grid companies tender the following remarks.

II. Distributed Generation

In preface to our remarks regarding Distributed Generation (DG), the National Grid companies hearken back to their proven track record in encouraging market development for independent power producers (IPPs). New England Electric System (NEES), the predecessor in interest to National Grid USA, took a leadership role in helping IPPs to develop in the New England region. In that regard, NEES was among the first – if not the very first in the region – to voluntarily issue RFPs for power purchases from IPPs (both “green” and conventionally-fueled) rather than expanding its own generation fleet to serve native load. NEES also pioneered interconnection terms and conditions that allowed IPPs to interconnect their plants to the NEES transmission or distribution system. Indeed, years before the Federal Energy Regulatory Commission (FERC) circulated its first Open Access Tariff Notice of Proposed Rulemaking¹, NEES affiliates had interconnected dozens of generators to their integrated network in three states (Massachusetts, Rhode Island and New Hampshire). Furthermore, NEES affiliates either purchased power from the interconnected generators or voluntarily wheeled it across the NEES network pursuant to FERC-accepted tariff terms, conditions and rates. As Mr. Vhay, the representative of Distributed Generation interests in this docket testified, “[W]e saw in Massachusetts and New England the development of a robust independent power production sector...” (Tr. p.28) The National Grid companies are proud of

¹ Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Service by Public Utilities and Recovery of Stranded Costs by Public Utilities and Transmitting Utilities, Order No. 888, 61 FED. REG. 21,540 (1996), FERC Stats. & Regs. ¶ 31,036, *clarified*, 76 FERC ¶ 61,009 and 76 FERC ¶ 61,347 (1996), *order on reh'g*, Order No. 888-A, 62 FED. REG. 12, 274 (1997), FERC Stats. & Regs. ¶ 31, 048 (1997), *order on reh'g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997).

their track records in dealing with and promoting such non-utility solutions to customer needs.

Aside from worker and public safety, the National Grid companies' paramount concern is system reliability and customer satisfaction with transmission and distribution services. Although Distributed Generation may offer certain economic benefits to our customers by providing third-party investments that could decrease the need for distribution system infrastructure improvements, the record is not yet developed in this area. We are therefore cautious of proposals for system improvements that are not certain to yield customer benefits (e.g., reliability, reduced or eliminated outages, economic savings) when compared to traditional system enhancements. In particular, we question the sensibility of new requirements that may involve long RFP windows, extended contract negotiations with Distributed Generation owners, lengthy permitting and licensing proceedings over which we have no control,² and undemonstrated reliability or unproven technologies.

Since reliability and planning are the prime focus of this docket, one must also be concerned about incentives and penalties for system performance in a mixed distribution company-Distributed Generation environment. At this juncture, each distribution company in the Commonwealth is liable for its own system's performance. Notwithstanding the role of ISO New England, if a distribution

² All utility-scale Distributed Generation (2 MW and above) burns fossil fuel. Air permitting for such units would be required in addition to traditional zoning and siting.

company such as Massachusetts Electric Company or Nantucket Electric Company does not have operational control over its own system, then, in fairness, it cannot be held responsible for outages or other problems attributable to Distributed Generation that supplants traditional system improvements. Furthermore, to the extent that Distributed Generation may be deemed to reduce or eliminate the need for infrastructure enhancements by a distribution company, uncertainties will plague the distribution system if third-party Distributed Generation assets shut down or go under financially.

These core questions aside, however, it remains to be decided what reporting by transmission and distribution companies will help to ensure adequate planning and reliable service to customers. Despite the concerns raised by RealEnergy and other DG providers over unfounded claims of customer confidential information (Tr., p. 32), customers *do* provide sensitive trade and commercial information to local utilities in advance of physical expansions, moves and other changes requiring electric infrastructure modifications. If required to submit it, the National Grid companies plan to file such confidential information in accordance with the statutory protections alluded to by Mr. Stevens, the Hearing Officer, at the most recent public hearing in this docket. (Tr., p. 20) Accordingly, we urge the Department and Siting Board to consider appropriate protections for customers (and utilities) at such time as they may permit third parties to demonstrate a bona fide need to view such data. Confidentiality agreements, non-disclosure agreements and *en camera* inspections are protections worthy of consideration in this regard.

In addition, the National Grid companies urge the Department and Siting Board to take notice of FERC's recently revised approach to Form 715, in which jurisdictional utilities and regional organizations provide data (including maps and one-line diagrams) to describe the status of their transmission systems. Since the catastrophe of September 11, 2002, FERC has continued to collect such data, but for security and safety reasons, the agency is now redacting much from automatic public disclosure.³

Finally, as Mr. Moser testified (Tr., p. 11), the Department and Siting Board will not develop a complete snapshot of a transmission or distribution system by merely requiring reports from utilities. In developing any new reporting requirements, the agencies should also consider their authority to mandate data from other entities involved – e.g., Distributed Generation, IPPs – and require their participation in the overall process as well. Without this, the effort to review and analyze planning and reliability projects will fall short.

³ “[O]n October 11, 2001, the Commission issued a Statement of Policy on Treatment of Previously Public Documents in Docket No. PL02-1. 97 FERC ¶ 61,030 (Policy Statement). The Policy Statement removed approximately 70,000 previously public documents from the Commission’s Internet site, the Records and Information Management System (RIMS), and the Public Reference Room. Specifically, the Commission removed documents, including oversized maps, that detail specifications of energy facilities licensed or certified under Part I of the Federal Power Act, 16 U.S.C. § 791a, *et seq.*, and Section 7(c) of the Natural Gas Act, 15 U.S.C. § 717f (c), respectively.” Order on Interim Treatment of Information Collected in Form No. 715, 100 FERC ¶ 61, 141 (Aug. 1, 2002). Subsequently, on August 1, 2002, FERC also issued an interim order in which it “decided to modify temporarily its practices and procedures on posting the entire FERC Form No. 715...because of the national security implications of having all the information in Form No. 715 day widely available in the United States and elsewhere in the world.” On the same date, in a letter responding to FOIA (Freedom of Information Act) requests for Form 715 data, FERC wrote, “At this time, the nature of the information contained in Form No. 715 could, if mis-used, reasonably be expected to endanger life or physical safety. Accordingly, those portions of each Form No. 715 deemed exempt from disclosure has been redacted.”

III. Transmission Issues

In the experience of New England Power Company, the National Grid transmission affiliate participating in this docket, different drivers for transmission expansion or upgrades (i.e., load, generation, or deliverability) mandate flexibility in any reporting designed to describe a transmission network and its future needs. No one-size-fits-all report can properly describe the need or plans for every transmission project. Accordingly, New England Power Company recommends that the Department and Siting Board consider an alternative information filing, depending upon the factors leading up to a new transmission project. Moreover, we call attention to ISO New England's Regional Transmission Expansion Plan (RTEP) and our own National Grid Five-Year Plan as documents that may well suit the Department's and Siting Board's information needs. As both Mr. Kazin and Mr. Gentile testified, ISO New England's RTEP provides a five-year forecast of transmission upgrades and expansion projects based on a load forecast, a capacity forecast, generation additions and retirements, and third-party additions to the regional network. (Tr., pp. 46, 14) We furthermore support NSTAR's suggestion that the planning horizon for reporting purposes be limited to five years out, given how speculative planning becomes beyond that period and given the efficiencies of coordinating with other reporting requirements already in place. (Tr. pp. 62-4)

In addition, the National Grid companies remind the agencies that although transmission projects have considerable lead times – e.g., 3 to 5 years --, it is possible that plans may change for good reasons. Accordingly, the mere reporting

of an anticipated transmission project should not be interpreted as a promise to build it.

Finally, the National Grid companies underscore Western Massachusetts Electric's written comment that "For all transmission projects that fall under the planning authority of the independent regional transmission planning authority, the electric company should not be the reporting entity." (Comments of Western Massachusetts Electric Company, p.8) As explained by Mr. Moser in his testimony, the National Grid companies are segregated by function (New England Power Company for transmission, Massachusetts Electric Company and Nantucket Electric Company for distribution). (Tr., p. 8) In some circumstances, standards of conduct promulgated by both FERC and the Department require non-disclosure of certain system information between our transmission and distribution functions. At a minimum, we want to ensure that the National Grid distribution companies subject to the Department's jurisdiction are not responsible for reporting transmission data.

IV. Distribution Issues

In the interest of providing the Department and Siting Board with information that is genuinely useful and not overwhelming, Massachusetts Electric Company and Nantucket Electric Company suggest some limitation on distribution circuit power flow studies to be submitted. Western Massachusetts Electric Company, for example, has proposed to provide "power flow studies for those circuits that

exceed 90% of their normal ratings for the 2003 forecasted peak loads, or 90% of their emergency ratings for the 2003 peak loads during a contingency that involves the automatic transfer of load (e.g., recloser loop scheme).” (Comments of Western Massachusetts Electric Company, p.5) The identification of significant parameters such as the 90% or 100% thresholds⁴ will make not only the distribution companies’ reporting but the agencies’ analysis of such data more meaningful and less burdensome than would total reporting on all circuits (even those with no overloading issues). We emphasize, however, that Massachusetts Electric Company and Nantucket Electric Company employ the 90% rating factors as screening tools in determining where to best spend their resources. Their association with specific circuits should not be misunderstood as a complete commitment to specific upgrades.

V. Conclusion

The National Grid companies appreciate the opportunity to comment in this docket. We believe that the Department has instituted the correct incentives and penalties to encourage system reliability. We seek the Department’s judgment of Massachusetts Electric Company and Nantucket Electric Company on their system performance, not on their report making. The National Grid companies support the Department’s rescission of 220 C.M.R. §§10.00 et seq. and exempting electric companies from any or all of the provisions of G.L. c. 64 §69I. We furthermore urge that all affected parties determine the usefulness of the

⁴ The Department and Siting Board should determine whether all investor-owned distribution companies use the same methodology for developing their normal and emergency ratings. A uniform approach will ensure consistent reporting and analysis.

upcoming two annual reports before the Department and Siting Board rule to rely on them as central documents in a new reporting process.

Respectfully submitted,
MASSACHUSETTS ELECTRIC COMPANY,
NANTUCKET ELECTRIC COMPANY and
NEW ENGLAND POWER COMPANY

By their Attorney,

Paige Graening
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Westborough, MA 01582

Date: October 10, 2002

CERTIFICATE OF SERVICE

I hereby certify that on this day I served the foregoing document and nine copies to Secretary Mary L. Cottrell, Department of Telecommunications and Energy, by overnight mail. I also served this filing via electronic mail to dte.efiling@state.ma.us, william.stevens@state.ma.us and the parties listed on the service list.

Dated at Westborough, Massachusetts this 10th day of October, 2002.

Paige Graening